



**DEFENSE LOGISTICS AGENCY**  
**THE DEFENSE CONTRACT MANAGEMENT COMMAND**  
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IN REPLY  
REFER TO

DCMC-P

FEB 17 1998

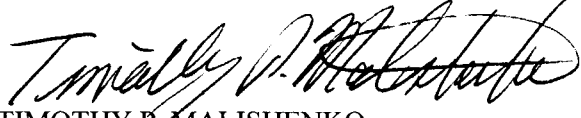
MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND  
TECHNOLOGY)  
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE  
(ACQUISITION AND TECHNOLOGY)  
DIRECTOR, DEFENSE PROCUREMENT  
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION  
REFORM)  
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)  
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DEVELOPMENT AND ACQUISITION)  
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,  
DEVELOPMENT AND ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)  
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION

THROUGH: DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Single Process Initiative (SPI) Monthly Activity Report

The SPI monthly report for the period ending February 10, 1998, is attached for your review. Information of interest includes results of our analysis of overage concept papers, and the potential of SPI to produce savings. We have also included a summary of SPI activity for this reporting period. Additional data is available for viewing on our home page (<http://www.dcmc.dcrb.dla.mil>).

Should you have any questions or concerns regarding information contained in the attached report, please contact Ms. Marialane Schultz, SPI/Block Change Management Team Leader at (703) 767-2471.

  
TIMOTHY P. MALISHENKO  
Brigadier General, USAF  
Commander

Attachment

cc:  
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***Single Process Initiative (SPI)***  
***Monthly Report***  
***February 10, 1998***

***Industry Supports Supplier Initiatives***

- Aerospace Industries Association (AIA) briefed the BCMT on its newly chartered Supplier Management Council (SMC) -- forum for suppliers who supply to a multitude of AIA members
- Goal of 50 associate members (now have 40)
- SMC offers high potential to help leverage process improvements made at the subtier level across multiple prime contractors -- results in increased savings and efficiencies
- Supports one of SPI's major goals for 1998 -- increase supplier participation by 100
- DCMC Commander will provide keynote remarks at SMC's inaugural meeting, March 11-13, 1998
- HQ SPI Team will join Raytheon Texas Instruments to provide a supplier workshop at the March event

***Stepping Up Acquisition Reform Internationally***

- DCMC Northern Europe hosted an Acquisition Reform conference on January 15, 1998
- Objective -- step up acquisition reform awareness in the international community
- Focus on reducing costs and enhancing performance through establishment of Management Councils and use of SPI
- Attendees from 40 companies and 12 international defense organizations
- DCMC Commander set strategic direction
- DCMC devising targeted strategy to engage top defense firms that have plants both in the United States and internationally

***Savings From SPI Not Always Instant***

- SPI offers several ways for both contractor and Government to capture savings:
  - Lower product costs on future buys
  - Savings negotiated into existing contracts
  - Lower overhead rates applied to future business
- Value of SPI goes beyond dollars returned to DoD
  - Facilitates conversion to commercial practices, industry consolidations, and modernization
  - Participating contractors say SPI and Management Councils provide needed mechanism for change
    - Many efficiencies identified through SPI deliberations, but not always implemented as block changes -- collateral benefits/savings still achieved, but not counted in SPI metric
- Bottom line -- Inability to identify instant contract savings should not be an impediment to SPI

### ***Tackling Overage***

- In January 1998, Defense Contract Management Command Headquarters (DCMC HQ) SPI Team performed analysis of overage concept papers
- Data from SPI database, January 21, 1998, indicated 265 open concept papers -- 90 overage, 25 escalations
- Overage grouped into 6 categories -- over 50% of overage are in 2 categories:
  - Component Team Leader (CTL) issues (no assigned CTL; slow/no response; CTL requests for additional information) account for largest number of overage concept papers (34)
  - Corporate SPI Approach is second, with 14 overage -- nationwide coordination is slow; idea papers submitted instead of full-up proposals
- DCMC actions to tackle overage issues:
  - Most immediate concern -- CTL-related issues
    - DCMC Commander, Brig Gen Malishenko, to initiate discussions with Service Acquisition Executives (SAEs) to address participation and lack of CTLs assignments
  - New procedures for Corporate SPI concepts established
  - Overage reviewed by DCMC Commander monthly at Executive Council meetings
  - Enhancements to SPI database to improve capability to track/understand causes for overage

### ***Packaging Update***

- DCMC escalated packaging issues to Dr. Gansler, Undersecretary of Defense (Acquisition & Technology) on January 8, 1998 due to Army nonconcurrence with General Electric Aircraft Engine (GEAE) packaging concept
- Army concerns:
  - Automation upgrades needed to fully implement MIL-STD-2073-1C
  - GE packaging proposal eliminates Buying Office pre-approval of packaging material substitutions
- USD(A&T) asked Army to relook their position
- DCMC facilitating resolution

### ***Blue Star Battery Negotiates SPI Success***

- Blue Star Battery proposed a concept paper to eliminate excess packaging requirements on batteries (not part of MIL-STD-2073 packaging issues)
- Contractor and customer disagreed on consideration and how it would be applied
- Inability to resolve the issue resulted in overage concept paper
- How was it resolved?
  - Escalation to Program Office resulted in increased visibility and re-evaluation of consideration
  - Block change modification incorporates proposed changes and reserves Government's right to consideration pending final negotiations
    - Concept paper proposes \$31,000 immediate savings and \$185,000 projected cost avoidance if all options exercised

### ***Reporting the News in SPI***

- Defense Contract Management District West (DCMDW) has new quarterly publication -- *The SPI Informer*
- Contains latest information on SPI policy, events, and happenings
- Will be used to facilitate better communication with DCMDW field offices
- Will share SPI lessons learned
- Available on the World Wide Web: <http://dcmdw.dla.mil>

### ***Another FAR Case Submitted***

- FAR Case proposing elimination of the Cost Accounting Standards (CAS) Post-Award Notification Requirement (FAR 52.230-6(e)(2)) submitted to the DAR Council for consideration on February 5, 1998
- Concept papers submitted by:
  - Lockheed Martin Government Electronic Systems, Moorestown, NJ
  - Lockheed Martin Western Development Laboratories, San Jose, CA
- Elimination of this requirement will reduce administrative costs for both contractors and the Government.

### ***In Summary***

- Lessons learned from tackling overage offer opportunity to reduce SPI cycle time
- CTL support still critical to SPI success
- Industry outreach efforts offer additional opportunities to increase supplier involvement in SPI
- SPI produces benefits in various forms, both long and near term – inability to identify instant savings should not be a barrier to pursuing innovative changes through SPI



## **SINGLE PROCESS INITIATIVE**

### **Implementation Summary**

*As of: February 10, 1998*

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<b>Contractor Facilities:</b>	<b>273</b>
<b>Top 200 Corporation Facilities:</b>	<b>147</b>
<b>International Facilities:</b>	<b>7</b>

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<b>Total Proposed Process Changes:</b>	<b>1325</b>
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<b>Found Technically Unacceptable:</b>	<b>56</b>
<b>Processes Withdrawn/Disapproved:</b>	<b>233</b>

<b>Total Block Change Modifications:</b>	<b>829</b>
<b>Average days from Submittal to Modification:</b>	<b>130</b>

<b>Total Open:</b>	<b>263</b>
<b>* Total Open Aged Over 120 days:</b>	<b>92</b>

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#### **Proposal Development (30 Days)**

<b>Total Under Development/Awaiting Initial Acceptance:</b>	<b>22</b>
<b>Total Under Development for More Than 30 Days:</b>	<b>10</b>

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#### **Approval (60 days)**

<b>Total Under Review for Approval:</b>	<b>125</b>
<b>Disagreements/Problems Escalated:</b>	<b>30</b>
<b>Total Under Review for More Than 60 Days:</b>	<b>68</b>

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#### **Modification (30 days)**

<b>Total Awaiting Contract Modification:</b>	<b>116</b>
<b>Total Awaiting Contract Modification for More Than 30 Days:</b>	<b>104</b>

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#### **Implementation Results**

<b>Amount Negotiated:</b>	<b>\$8,907,079</b>
<b>Estimated Cost Avoidance on Future Contracts:</b>	<b>\$342,760,441</b>

\* Does not include Law/Reg Proposals